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Government of the District of Columbia



**Office of the Deputy Mayor for Planning and Economic  
Development**

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Testimony of  
**Stanley Jackson**  
Deputy Mayor

***“The Way to Work Taskforce Recommendations”***

Committee on Government Operations  
Vincent Orange, Chair  
Council of the District of Columbia

October 21, 2005

Room 500  
John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004  
9 AM

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GOOD MORNING CHAIRPERSON ORANGE, MEMBERS OF THE COMMITTEE, STAFF AND FELLOW CITIZENS MY NAME IS STANLEY JACKSON AND I SERVE AS THE DISTRICT'S DEPUTY MAYOR FOR PLANNING AND ECONOMIC DEVELOPMENT. JOINING ME IS GREGORY IRISH, DIRECTOR OF THE DEPARTMENT OF EMPLOYMENT SERVICES AND MICHAEL HODGE, DIRECTOR OF THE DISTRICT'S REVENUE BOND PROGRAM. WE ARE PLEASED TO BE HERE THIS MORNING TO OFFER COMMENTS ON THE WAY TO WORK TASKFORCE REPORT.

THE MAYOR CREATED THE WAY TO WORK TASKFORCE TO ADDRESS CONCERNS RAISED BY VARIOUS DISTRICT COMMUNITIES ABOUT THE "WAY TO WORK AMENDMENT ACT OF 2005". THE LEGISLATION, AS INTRODUCED, SEEKS TO ESTABLISH A LIVING WAGE FOR THE DISTRICT, CREATE A FUND TO SUPPORT THE EMPLOYMENT AND JOB TRAINING ASPIRATIONS OF HARD TO SERVE DISTRICT RESIDENTS, AND STRENGTHEN THE DISTRICT'S FIRST SOURCE PROGRAM. THE MAYOR BROUGHT TOGETHER MEMBERS OF THE DISTRICT'S BUSINESS, GOVERNMENT, LABOR AND NON-PROFIT COMMUNITIES IN ORDER TO HEAR AND CONSTRUCTIVELY ADDRESS THE CONCERNS AND RECOMMENDATIONS OF THESE GROUPS. THE 40-MEMBER TASKFORCE MET 5 TIMES OVER THE SUMMER AND PROVIDED THE MAYOR WITH SEVERAL RECOMMENDATIONS FOR THE ENHANCEMENT OF THE WAY TO WORK

LEGISLATION. MY TESTIMONY SEEKS TO HIGHLIGHT AND PROVIDE THE JUSTIFICATION FOR THE TASKFORCE'S MAJOR RECOMMENDATIONS.

### **LIVING WAGE**

AS YOU KNOW, THE LEGISLATION AS INTRODUCED PROPOSED TO ESTABLISH A LIVING WAGE FOR DISTRICT RESIDENTS WORKING FOR CONTRACTORS AND SUBCONTRACTORS WHO DO BUSINESS WITH THE CITY. THE LEGISLATION PROPOSED A WAGE RATE OF \$10.50 AN HOUR WHEN BENEFITS ARE NOT PROVIDED AND \$9.25 AN HOUR WHEN HEALTH BENEFITS ARE PROVIDED. INFORMATION PROVIDED AT THE TASKFORCE MEETINGS SHOWED THAT THE DISTRICT'S PROPOSED RATE IS LOWER THAN THE LIVING WAGE RATES PROVIDED BY ALL OF ITS NEIGHBORING JURISDICTIONS. OUR NEIGHBORS PROVIDE A WAGE RATE OF BETWEEN \$10.80 AND \$11.80 AN HOUR. AS A RESULT OF THIS INFORMATION, THE NON-PROFIT AND LABOR COMMUNITIES URGED THE MAYOR TO INCREASE THE PROPOSED RATE IN ORDER TO ALIGN THE DISTRICT WITH THE REGION. ON THE MAYOR'S BEHALF, THE DISTRICT'S CITY ADMINISTRATOR AGREED TO CONSIDER INCREASING THE WAGE RATE.

OTHER TASKFORCE RECOMMENDATIONS FOR THE LIVING WAGE TITLE INCLUDE: APPLYING THE LIVING WAGE TO THE DISTRICT GOVERNMENT; ADJUSTING THE WAGE RATE FOR INFLATION; CREATING A \$50,000

SUBCONTRACT THRESHOLD FOR ECONOMIC DEVELOPMENT ASSISTANCE; PROVIDING AN EXEMPTION FOR MEDICAID AND THE ALLIANCE PROGRAMS; AND INSERTING CLARIFYING LANGUAGE TO THE PART-TIME EMPLOYEE EXEMPTION. WHILE THE TASKFORCE AGREED THAT THE RATE SHOULD BE ADJUSTED FOR INFLATION, THE TASKFORCE DID NOT AGREE ON HOW OFTEN THE RATE SHOULD BE ADJUSTED.

THE SUBCONTRACT THRESHOLD FOR ECONOMIC DEVELOPMENT ASSISTANCE, I.E. TAX ABATEMENTS, IRBs, ETC. WAS SEPARATED OUT BECAUSE THE AMOUNT OF SUCH ASSISTANCE ORDINARILY EXCEEDS THE PROPOSED BILL'S \$15,000 THRESHOLD. ALSO, SEVERAL TASKFORCE MEMBERS THOUGHT THE HIGHER THRESHOLD MADE THE PROVISION EASIER TO ACCEPT AMONG BUSINESSES WHO PARTNER WITH THE DISTRICT, CONSIDERING THAT NO OTHER JURISDICTION IN THE NATION APPLIES THE LIVING WAGE TO ECONOMIC DEVELOPMENT ASSISTANCE.

MEMBERS OF THE TASKFORCE, WHO REPRESENT HOSPITALS AND OTHER MEDICAID AND ALLIANCE PROVIDERS, INTERPRETED THE LIVING WAGE PROVISION TO APPLY TO THESE PROGRAMS. CURRENTLY, THE DISTRICT CONTRACTS WITH 3 OR 4 MEDICAID PROVIDERS WHO ENTER INTO "PROVIDER AGREEMENTS" WITH OTHER GROUPS TO HELP THEM PROVIDE MEDICAID/ALLIANCE SERVICES. THE QUESTION AROSE AS TO WHETHER THESE "PROVIDER AGREEMENTS" WOULD BE MISINTERPRETED TO MEAN

"SUBCONTRACTS". THE DISTRICT'S ATTORNEY GENERAL CONDUCTED AN ANALYSIS AND FOUND THAT THE DISTRICT SHOULD INDEED PROVIDE THE EXEMPTION AND INSERT CLARIFYING LANGUAGE STATING THAT THE LIVING WAGE LAW DOES NOT APPLY TO MEDICAID AND HEALTH CARE ALLIANCE PROVIDER AGREEMENTS.

IN TERMS OF IMPACT, THE DISTRICT'S MEDICAID ADMINISTRATOR RAN THE NUMBERS TO DETERMINE HOW MANY MEDICAID CONTRACTS EXIST OVER THE \$100,000 THRESHOLD. DATA SHOWS APPROXIMATELY 580 MEDICAID PROVIDERS HAVE REIMBURSEMENT OF OVER \$100,000. AGAIN, THESE ARE NOT CONTRACTS, THESE ARE PROVIDER AGREEMENTS, AND EACH OF THESE PROVIDERS PROVIDES A HEALTH SERVICE OF SOME TYPE TO OUR MEDICAID BENEFICIARIES. WHILE, THE LIVING WAGE PROVISION WOULD HAVE A NEGLIGIBLE IMPACT ON THE CONTRACTORS, THE PROVISION WOULD LARGELY IMPACT PROVIDERS, WHICH WOULD, IN TURN, AFFECT ACCESS TO CARE AND AVAILABILITY OF SPECIALISTS. THE CONCERN THE TASKFORCE AS WELL AS THE DEPARTMENT OF HUMAN SERVICES SHARED IS THAT MANY OF THESE PROVIDERS WOULD CEASE DOING BUSINESS WITH THE DISTRICT, WHICH WOULD CREATE AN ACCESS PROBLEM FOR THE PROGRAM'S BENEFICIARIES.

TASKFORCE MEMBERS REPRESENTING THE LABOR AND NON-PROFIT COMMUNITIES WERE UNCOMFORTABLE WITH THE EXEMPTION FOR PART-

TIME EMPLOYEES. THESE GROUPS BELIEVED EMPLOYERS WOULD SUBSTITUTE FULL-TIME EMPLOYEES WITH PART-TIME EMPLOYEES IN ORDER TO AVOID PAYING THE LIVING WAGE. IN ORDER TO STRIKE A COMPROMISE, LANGUAGE WAS ADDED STATING THAT PART-TIME EMPLOYEES SHALL NOT REPLACE FULL-TIME EMPLOYEES THAT ARE SUBJECT TO THIS PROVISION.

### **JOB OPPORTUNITY BANK**

THE INTRODUCED BILL PROPOSES THE CREATION OF A JOB OPPORTUNITY BANK, WHERE PROCEEDS OF PILOT AND TIF FUNDS WOULD BE USED TO ENHANCE THE EMPLOYMENT AND JOB TRAINING OPPORTUNITIES OF HARD TO EMPLOY DISTRICT RESIDENTS. TARGET GROUPS INCLUDE TANF RECIPIENTS, DISLOCATED WORKERS, EX-OFFENDERS, VETERANS AND YOUTH AGES 18 TO 21. THE TASKFORCE PROPOSED SEVERAL RECOMMENDATIONS TO ENHANCE THIS TITLE OF THE LEGISLATION. SOME OF THE RECOMMENDATIONS INCLUDE: EMPOWERING THE DISTRICT'S WORKFORCE INVESTMENT COUNCIL (WIC) TO OVERSEE THE JOB OPPORTUNITY BANK; APPOINTING A MEMBER OF THE DISTRICT'S BUSINESS COMMUNITY TO CHAIR THE WIC; TARGETING DISTRICT RESIDENTS WITH LITERACY AND SOCIOECONOMIC CHALLENGES; AND PLACING THE FUNDS WITHIN THE DMPED'S OFFICE.

THE PROPOSED BILL SEEKS TO CREATE A BOARD TO OVERSEE THE ADMINISTRATION AND OPERATION OF THE JOB OPPORTUNITY BANK. THE TASKFORCE RECOMMENDED AGAINST CREATING A NEW BODY TO HANDLE THIS TASK, BUT AGREED THAT THE DISTRICT'S CURRENT WORKFORCE INVESTMENT COUNCIL COULD AND SHOULD MANAGE THIS FUNCTION. IN EFFORTS TO STRENGTHEN THE WIC AND ITS ABILITY TO ADEQUATELY TAKE ON THIS TASK, THE TASKFORCE ALSO RECOMMENDED THAT THE BODY BE CHAIRED BY A MEMBER OF THE BUSINESS COMMUNITY. AS YOU KNOW, THE WIC SEEKS TO ENCOURAGE PRIVATE SECTOR PARTICIPATION IN THE DEVELOPMENT AND IMPLEMENTATION OF THE DISTRICT'S STRATEGIC WORKFORCE INVESTMENT PLAN. THEREFORE, THE RECOMMENDATION THAT A BUSINESS COMMUNITY REPRESENTATIVE CHAIR THE COUNCIL ENHANCES THE WIC'S AIM TO ENCOURAGE REGIONAL WORKFORCE INVESTMENT IN ORDER TO MEET THE HIRING NEEDS OF THE AREA'S EMPLOYERS.

ONE OBSTACLE TASKFORCE MEMBERS NOTED TODAY HIRING DISTRICT RESIDENTS IS THE ILLITERACY AND OTHER SOCIAL CHALLENGES OF HARD TO PLACE GROUPS. THEREFORE, IN ADDITION TO TARGETING TANF RECIPIENTS, THE TASKFORCE RECOMMENDS THE JOB OPPORTUNITY BANK PROGRAM PROVIDE LITERACY AND BASIC JOB TRAINING SKILLS TO DISTRICT RESIDENTS IN NEED OF SUCH ASSISTANCE. TASKFORCE MEMBERS STRESSED THE IMPORTANCE OF THESE PROGRAMS IN

ENSURING THAT DISTRICT RESIDENTS RECEIVE SUFFICIENT ASSISTANCE TO FIND JOBS.

### **FIRST SOURCE**

THE INTRODUCED BILL AIMS TO INCREASE THE NUMBER OF JOBS CREATED FOR DISTRICT RESIDENTS UNDER THE FIRST SOURCE PROGRAM AND STRENGTHEN THE PROGRAM'S ENFORCEMENT MECHANISMS. SOME TASKFORCE RECOMMENDATIONS FOR THIS TITLE INCLUDE: CLARIFYING THE TERM "ECONOMIC ASSISTANCE"; INCREASING THE THRESHOLD FOR BANKING INSTITUTIONS; AND ELIMINATING THE 10% DEPOSIT OR HOLD BACK OF GOVERNMENT FUNDS. IN AN EFFORT TO CLARIFY THE TERM "ECONOMIC ASSISTANCE", THE TASKFORCE PROPOSED INCLUDING BENEFICIARIES OF TAX ABATEMENTS, IRBS AND OTHER FORMS OF ECONOMIC DEVELOPMENT ASSISTANCE IN EXCESS OF \$100,000 TO THE LIST OF GROUPS SUBJECT TO FIRST SOURCE REQUIREMENTS.

THE BILL AS INTRODUCED REQUIRED BANKING INSTITUTIONS SERVING AS A REPOSITORY FOR \$15,000 OR MORE OF DISTRICT FUNDS TO PARTICIPATE IN THE FIRST SOURCE PROGRAM. THE TASKFORCE RECOMMENDED INCREASING THE THRESHOLD TO \$1 MILLION BECAUSE THAT FIGURE MORE ACCURATELY REFLECTS THE AMOUNT OF FUNDS THE DISTRICT DEPOSITS IN LOCAL FINANCIAL INSTITUTIONS. LASTLY, THE



INTRODUCED BILL SEEKS TO STRENGTHEN PENALTIES FOR GROUPS WHO FAIL TO COMPLY WITH FIRST SOURCE BY REQUIRING PARTICIPANTS TO “DEPOSIT” 10% OF THEIR ASSISTANCE (UP TO \$200,000) WITH THE INTENT OF CAPTURING THE 10% IN THE EVENT THE GROUP DOES NOT COMPLY. THE TASKFORCE RECOMMENDED ELIMINATING THE 10% HOLD BACK OF GOVERNMENT FUNDS AND SUGGESTED THAT THE DISTRICT USE THE ENFORCEMENT MECHANISMS CURRENTLY AT ITS DISPOSAL FOR THE FIRST SOURCE PROGRAM.

#### **CLARIFYING LANGUAGE**

THE MAYOR FORWARDED A PROPOSED REVISED BILL INCLUSIVE OF THE TASKFORCE’S RECOMMENDATIONS TO THIS COMMITTEE FOR CONSIDERATION. TWO CONCERNS, HOWEVER, WERE NOT ADEQUATELY ADDRESSED WITHIN THE REVISED BILL. A MAJOR CONCERN VOICED BY THE BUSINESS COMMUNITY PRIOR TO THE CREATION OF THE WAY TO WORK TASKFORCE DEALT WITH THE LEGISLATION’S IMPACT ON RETAIL AND COMMERCIAL TENANTS. AS A RESULT OF THE TASKFORCE MEETINGS, AN AGREEMENT WAS REACHED PROVIDIDNG THAT **ONLY** COMMERCIAL AND RETAIL TENANTS THAT RECEIVED DIRECT ECONOMIC ASSISTANCE BENEFIT FROM A GOVERNMENT SUBSIDIZED DEVELOPMENT PROJECT SHOULD BE REQUIRED TO ADHERE TO FIRST SOURCE. THE REVISED BILL SHARED WITH THIS COMMITTEE FAILED TO MAKE THIS

DISTINCTION. THEREFORE, WE WILL SOON PROVIDE LANGUAGE MEANT TO CLARIFY THE BILL'S INTENT.

THE DISTRICT'S CHIEF FINANCIAL OFFICER (CFO) RECENTLY PROVIDED A FISCAL IMPACT STATEMENT FOR THE REVISED PROPOSAL. THE CFO FOUND THAT FUNDS ARE NOT SUFFICIENT TO FUND THE LIVING WAGE AT THE INCREASED AMOUNT OF \$11.25 PER HOUR. THEREFORE, ATTACHED TO MY TESTIMONY IS LANGUAGE MEANT TO RENDER A POSITIVE FISCAL ANALYSIS. THE LANGUAGE SUBJECTS THE LIVING WAGE PROVISION TO ANNUAL APPROPRIATIONS. THE MAYOR IS IN THE PROCESS OF IDENTIFYING FUNDS IN BOTH THE FY'06 AND FY'07 BUDGETS TO FUND THE LIVING WAGE PROVISIONS.

IN CONCLUSION, THE MAYOR IS CONFIDENT THAT THE WAY TO WORK TASKFORCE'S RECOMMENDATIONS PROVIDES A GOOD FOUNDATION FOR ENSURING THAT ALL DISTRICT RESIDENTS BENEFIT FROM THE CITY'S CURRENT ECONOMIC SUCCESS AND LOOKS FORWARD TO THIS COMMITTEE'S FAVORABLE ACTION ON THE REVISED PROPOSAL. MR. IRISH, MR. HODGE AND I WELCOME YOUR COMMENTS AND QUESTIONS.

**PROPOSED LANGUAGE FOR THE FISCAL IMPACT DISCUSSION:**

- Add to 102: "Implementation of this section is subject to annual appropriations."
- Add to 103: a new (c) which reads "(c) Implementation of subsections (a) and (b) of this section shall be subject to annual appropriations."